

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY AND EXHIBITS

OF

HENRY N. WEBSTER, II

OCTOBER 26, 2012



DOCKET NO. 2012-218-E

**Application of South Carolina Electric & Gas Company for Increases
and Adjustments in Electric Rate Schedules and Tariffs and Request
for Mid-Period Reduction in Base Rates for Fuel**

DIRECT TESTIMONY OF HENRY N. WEBSTER, II

FOR

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**IN RE: APPLICATION OF SOUTH CAROLINA ELECTRIC & GAS COMPANY
FOR INCREASES AND ADJUSTMENTS IN ELECTRIC RATE SCHEDULES AND
TARIFFS AND REQUEST FOR MID-PERIOD REDUCTION IN BASE RATES
FOR FUEL**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Henry N. Webster, II. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") as Audit Manager for New Nuclear Deployment and Telecommunications.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND YOUR BUSINESS EXPERIENCE.

A. I earned a Bachelor of Science degree with a major in Accounting and a minor in English from Bob Jones University in May of 1983. I am a Certified Public Accountant licensed to practice in South Carolina. I began my career with the public accounting firm of Arthur Andersen & Co. (now Arthur Andersen LLP) in June of 1983, performing audits of various regulated entities. My subsequent professional work experience also includes local public accounting, internal audit, various controller and financial management roles, and regulatory audit. I began my employment with ORS in January of 2008, where I have been performing regulatory reviews of utility companies, focused

1 primarily upon rate cases (electric and water), and new nuclear deployment. I have
2 testified before this Commission in two previous cases.

3 **Q. ARE YOU CURRENTLY A MEMBER OF ANY PROFESSIONAL**
4 **ORGANIZATIONS?**

5 **A.** Yes. I hold memberships in good standing with the American Institute of Certified
6 Public Accountants, the South Carolina Association of Certified Public Accountants, and
7 the Institute of Management Accountants, where I have served multiple terms as chapter
8 board member and committee chairman.

9 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
10 **PROCEEDING?**

11 **A.** The purpose of my testimony is to set forth the findings and recommendations
12 resulting from ORS's examination of the application of South Carolina Electric & Gas
13 Company ("Company" or "SCE&G"), in Docket No. 2012-218-E. These findings and
14 recommendations are explained in detail in my testimony and attached exhibits.

15 **Q. PLEASE DESCRIBE THE PROCEDURES USED TO PERFORM THE**
16 **EXAMINATION OF SCE&G'S APPLICATION.**

17 **A.** ORS's examination of the Company's application for Adjustments and Increases
18 in Electric Rate Schedules and Tariffs and Request for Mid-Period Reduction in Base
19 Rates for Fuel ("Application") consisted of three major steps. First, ORS verified that the
20 operating experience and rate base, reported by the Company in its application, were
21 supported by its accounting books and records for the test year. Second, ORS tested the
22 underlying transactions in the books and records for the same period to ensure that the
23 transactions were adequately supported, had a stated business purpose, were allowable

1 for ratemaking purposes, and were properly recorded. Third, our examination consisted
2 of adjusting, as necessary, the revenues, expenditures and capital investments to
3 normalize the Company's operating experience and rate base, in accordance with
4 generally accepted regulatory principles and prior Commission orders.

5 **Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR TESTIMONY.**

6 A. I have attached the following exhibits to my testimony relating to Total Electric
7 and Retail Electric operations:

- 8 • Audit Exhibit HNW-1: Operating Experience, Rate Base and Rate of Return
- 9 • Audit Exhibit HNW-2: Explanation of Accounting and Pro Forma Adjustments
- 10 • Audit Exhibit HNW-3: Calculation of State and Federal Income Taxes
- 11 • Audit Exhibit HNW-4: Deferred Debits/Credits
- 12 • Audit Exhibit HNW-5: Working Capital Investment
- 13 • Audit Exhibit HNW-6: Weighted Cost of Capital

14 These exhibits were either prepared by me, or under my direction and supervision,
15 in compliance with recognized accounting and regulatory procedures for electric utility
16 rate cases. These exhibits show various aspects of SCE&G's operations and financial
17 position.

18 **Q. PLEASE DESCRIBE THE FORMAT OF AUDIT EXHIBIT HNW-1 AND**
19 **ELABORATE ON THE CALCULATIONS.**

20 A. Audit Exhibit HNW-1 shows SCE&G's operating experience, rate base and rate of
21 return for Total Electric and Retail Electric operations for the test year ended December 31,
22 2011. Note that, for presentation purposes, all exhibits report dollar amounts in
23 thousands (000's omitted).

Column (1) shows Total Electric Operations, Per Regulatory Books. ORS verified operating revenues of \$2,432,190,000, total operating expenses of \$1,985,187,000 and net income for return of \$446,848,000 to the Company's books and records. ORS verified total rate base of \$6,246,593,000. Total Per Regulatory Books rate of return of 7.15% was calculated by dividing net income for return by the total rate base.

Column (2) shows ORS proposed Accounting and Pro Forma Adjustments designed to normalize operating experience for Total Electric Operations.

Column (3) shows the Company's Total Electric Operations after ORS's accounting and pro forma adjustments by adding columns (1) and (2).

Column (4) reflects the Company's allocation of Total Electric, Per Regulatory Books, to Retail Electric Per Books. Using Retail Electric Per Books, net income for return of \$441,872,000 and total rate base of \$6,046,960,000, a rate of return of 7.31% was computed. The resulting return on common equity was 8.53% as shown on Audit Exhibit HNW-6.

Column (5) shows ORS Accounting and Pro Forma Adjustments to Retail Electric Operations. Each adjustment is shown in Audit Exhibit HNW-2 and explained further in the testimonies of ORS's witnesses.

Column (6) shows the Company's Retail Electric Operations after ORS accounting and pro forma adjustments by combining columns (4) and (5). Using net income for return of \$337,257,000 and total rate base of \$4,842,524,000, a rate of return of 6.96% was computed. The resulting return on common equity was 7.88% as shown on Audit Exhibit HNW-6.

Column (7) shows the Proposed Increase in revenues along with the resultant tax adjustments for Retail Electric Operations.

Column (8) presents the results of Retail Electric Operations after the proposed revenue increase by combining columns (6) and (7). Using net income for return of \$397,087,000 and total rate base of \$4,842,524,000, a rate of return of 8.20% was computed. The resulting return on common equity was 10.25% as shown on Audit Exhibit HNW-6.

Q. PLEASE EXPLAIN THE ADJUSTMENTS IN AUDIT EXHIBIT HNW – 2.

A. Explanations of the ORS Accounting and Pro forma Adjustments are listed separately as ‘SCE&G Total Electric’, ‘ORS Total Electric’ and ‘ORS Retail Electric’. The ORS Electric Department verified the retail allocated amounts and reviewed various other adjustments as noted. The adjustments are as follows:

Electric Operating Revenues

Adjustment # 1 – Remove Revenue for New Nuclear Generation

ORS and the Company propose to remove revenues of (\$83,831,800) associated with the construction of the new V.C. Summer Units #2 and #3 in Jenkinsville, South Carolina, as discussed by ORS witness Joseph W. Coates.

Adjustment # 2 – Remove Amounts Associated with DSM

ORS and the Company propose to remove revenues of (\$5,660,438) associated with the Demand Side Management (“DSM”) programs. ORS verified the test year DSM revenue of (\$5,660,438) to the Company’s books and records. The total amount removed is allocated to retail customers.

Adjustment # 3 – \$25M Weather Refund Overage & EIZ Tax Credit

The Company proposes to remove revenues of (\$2,000,000) associated with the weather refund overage and the Economic Impact Zone (“EIZ”) tax credit overage (\$4,000,000 amortized over 2 years). ORS verified the test year deferred overage balance associated with the weather refund to the Company’s books and records. The total amount removed is allocated to retail customers. ORS proposes that this adjustment be reflected in the Company’s 2013 fuel case; Electric Department witness Leigh C. Ford provides testimony regarding ORS’s proposed treatment.

Adjustment # 4 – Remove Off-System Sales Contract

ORS and the Company propose to remove revenues of (\$30,002,977) associated with the expiration of a wholesale power sales contract from the Jasper Generation Station. The ORS Electric Department verified and agreed with the Company’s adjustment.

Operation and Maintenance Expense

Adjustment # 5 – Annualize Wages and Benefits

The Company proposes to annualize salary expense based on salary levels in effect as of March 31, 2012, and to adjust for benefits which include long and short-term disability and 401K contributions. ORS recalculated and verified the payroll adjustment to the Company’s books and records. ORS proposes to allow only those pay increases associated with non-officer wages, for a total of \$9,407,736. The retail allocated portion is \$9,144,880. ORS Electric Department witness Leigh C. Ford provides testimony on removing the portion attributable to officers.

Adjustment # 6 – Remove Incentive Pay

ORS and the Company propose to remove 50% or (\$6,077,781) of accrued bonuses booked in the test year. ORS verified accrued bonuses booked in the test year. The retail allocated portion is (\$5,907,238).

Adjustment # 7 – Adjust Health Care Costs

ORS and the Company propose to annualize health care costs using the expense level during the last quarter of the test year, resulting in an adjustment of \$2,128,044. The retail allocated amount is \$2,073,013.

Adjustment # 8 – Remove Expenses for Employee Clubs

ORS and the Company propose to remove operations and maintenance (“O&M”) expenses related to employee clubs owned and operated by SCE&G of (\$412,818). ORS Audit witness Joseph W. Coates provided testimony regarding the removal of expenses related to these facilities.

Adjustment # 9 – Palmetto Center Settlement

In October 2009, the Company’s lease expired on the Palmetto Center Building located in Columbia, South Carolina. The Company relocated to its new headquarters in Cayce, South Carolina. Shortly thereafter, the Company and Main Street Associates (lessor of Palmetto Center) were in dispute on the condition of the Palmetto Center Building. The parties reached a settlement in October 2011. ORS and the Company propose to remove this amount from test year operations. Additionally, ORS removed \$35,436 for legal expenses, of which \$22,431 was allocated to electric operations. ORS proposes a total adjustment of (\$708,456) and a retail adjustment of (\$688,619) to reduce O&M expenses.

Adjustment # 10 – Annualize Insurance Premiums

The Company proposes to increase insurance expenses by \$25,170 by annualizing the expense level from December 2011. ORS Audit witness Kelvin L. Major provided testimony regarding the annualizing of insurance premiums.

Adjustment # 11 – Environmental Remediation Recovery

In its application, ORS and the Company propose to include environmental clean-up costs in the amount of \$240,000 in test year operating expenses. This adjustment is discussed in the testimony of ORS Electric Department witness Leigh C. Ford.

Adjustment # 12 – Edison Electric Institute (EEI) Membership Dues

The Company proposes to increase O&M expense by \$200,000 for EEI Membership dues paid in 2011. EEI is a trade association of U.S. shareholder-owned electric companies. ORS examined the invoice and tested the transaction for accuracy, finding that a portion of regular activity membership dues relate to influencing regulation or lobbying. This portion is estimated to be 22%, (\$44,000), and is not included in the adjustment calculation. Additionally, ORS found that \$15,000 was paid to support the Edison Foundation and its Institute for Electric Efficiency. This foundation support, calculated at \$4,644, is considered a charitable donation and was removed from the adjustment. ORS proposes a net increase in O&M expense of \$151,336, of which \$147,099 is allocated to retail.

Adjustment # 13 – Remove Amounts Associated with DSM

ORS and the Company propose to remove amortization expenses totaling (\$252,912) for the DSM programs in the test year. ORS verified the test year amortization expense to the Company's books and records. The total amount removed is allocated to retail customers.

Adjustment # 14 - Wateree Scrubber – Current Expense

The Company proposes to increase expenses going forward for the Wateree Scrubber (“Wateree”) to include \$939,209 for O&M expenses previously deferred. ORS Audit witness Kelvin L. Major provided testimony regarding the current Wateree expenses.

Adjustment # 15 - Deferred Pension Expense Amortization

The Company has been deferring the O&M portion of pension expense since February 2009 pursuant to Commission Order No. 2009-81. The Company is seeking to amortize the deferred amount and increase O&M expenses by \$4,865,564. The total amount of pension expense deferred as of September 2012 is \$59,635,016. ORS verified that pension expenses are currently deferred to a regulatory asset account and verified the total amount of deferred pension expense. Annual pension expense was verified to the Company books and records. ORS proposes using an amortization period of 30 years as discussed in Electric Department witness Leigh C. Ford’s testimony, which yields an annual amortization expense of \$1,987,834. The retail allocated amount is \$1,936,349.

Adjustment # 16 – Pension – Current Expense

The Company proposes including pension expense of \$12,525,444 for test year operations based on an annualized amount of monthly pension expense of \$1,043,787. The retail allocated amount is \$12,201,536. ORS proposes to allow this adjustment but recommends implementation of a rider for pension expense that will be trued-up annually. ORS proposes that pension expense for the rider be calculated using the average pension expense experienced during the 12-month period ending Sept. 2012. Annualized pension expense, thus calculated, yields an annualized amount of \$11,443,665. The retail allocated amount

1 is \$11,147,274. The pension expense rider is discussed by Electric Department witness
2 Leigh C. Ford.

3 Adjustment # 17 – Amortize Capacity Purchases

4 Per SC Public Service Commission (“PSC”) Order 2008-530, the Company was authorized
5 to defer capacity purchases for power to meet customer and system demands during 2008-
6 2018. Capacity purchases of \$3,689,139 were verified to the Company’s book and records.
7 ORS and the Company propose to amortize these expenses over three years, resulting in an
8 adjustment of \$1,229,713. The retail allocation is \$1,178,360. ORS Electric Department
9 witness Michael R. Cartin provided testimony regarding this adjustment.

10 Adjustment # 18 – Capacity Purchase O&M Adjustment

11 ORS and the Company propose to decrease O&M Expense in the amount of (\$850,867) by
12 removing capacity charges that were inadvertently booked to the O&M Expense account.
13 ORS verified the expense for capacity charges to the Company’s books and records. The
14 retail allocation is (\$815,335).

15 Adjustment # 19 – Storm Damage Reserve Fund

16 The Company proposes to increase O&M expenses by \$6,054,246 to reinstate funding of
17 the storm damage reserve. ORS does not propose to make this adjustment. Details of
18 this adjustment are discussed in ORS Electric Department witness Leigh C. Ford’s
19 testimony.

20 Adjustment # 20 – T & D Insurance Premium

21 The Company proposes to increase O&M expenses by \$3,058,167 related to Transmission
22 & Distribution (“T&D”) insurance premiums. ORS does not propose to make this

adjustment. Details of this adjustment are discussed in ORS Audit witness Joseph W. Coates and ORS Electric Department witness Leigh C. Ford's testimonies.

Adjustment # 21 – Amortize Economic Development Grants

On January 17, 2012, Commission Order No. 2012-37 was issued granting the Company approval to defer and record as a regulatory asset a \$1,000,000 research and development grant to Clemson University. The grant was used to help fund the building of a 15 megawatt Hardware-in-the-Loop Grid Simulator Facility where it plans to test new technology that supports the country's future electric energy goals and to educate the workforce of the future in power systems engineering. The Order approved the deferral and the amortization of the grant to electric operating expenses. The Company proposes to amortize the \$1,000,000 grant over a five-year period. ORS proposes to amortize the research and development grant over a ten-year period.

The Company proposes to amortize a \$1 million Michelin economic development grant over a ten-year period consistent with the term of the Electric Service Agreement. The grant was used to help fund the expansion of Michelin's facility in Lexington County, South Carolina, to further expand its tire building capacity and create 270 new jobs to be phased in over a two-year period.

The Company proposes to amortize a \$3.4 million Bridgestone I economic development grant over a fifteen-year period consistent with the term of the Electric Service Agreement. The grant was used to help fund the construction of a new 1.5 million square-foot off-road radial tire manufacturing facility in Graniteville, South Carolina. The new facility is expected to create 550 new jobs in Aiken County by 2020.

1 The Company proposes to amortize a \$2 million Bridgestone II economic development
2 grant over a ten-year period consistent with the term of the Electric Service Agreement.

3 The grant was used to help fund the expansion of Bridgestone's facility in Aiken, South
4 Carolina, to further expand its passenger and light tire building capacity and create 300
5 new jobs to be phased in by 2015.

6 Details of this adjustment are also discussed by ORS Electric Department witness Michael
7 R. Cartin. The Company's total proposed increase in O&M expenses for all grants is
8 \$660,000. ORS proposes an increase in O&M expense of \$560,000, or \$545,496
9 allocated to retail.

10 Adjustment # 22 – Amortize Current Rate Case Expenses

11 The Company proposes to amortize current rate case expenses of \$700,000 over a three-
12 year period (or \$233,333 per year). ORS verified actual rate case expenses as of September
13 26, 2012, which proved to be for legal services totaling \$164,582. ORS proposes to
14 amortize actual rate case expenses over a three-year period. This results in test year rate
15 case expenses of \$54,861, the total of which is all allocated to retail.

16 Adjustment # 23 – Canadys Unit # 1 Retirement

17 ORS and the Company propose to reduce O&M expenses by (\$1,930,874) to reflect the
18 early retirement of Canadys Unit #1. ORS reviewed the pro forma expenses submitted by
19 the Company and found them to be reasonable. The retail allocation of this adjustment is
20 (\$1,849,089).

21 Adjustment # 24 – Urquhart Unit # 3 Coal Equipment Retirement

22 ORS and the Company propose to reduce O&M expenses by (\$1,632,165) related to the
23 planned retirement of the coal-burning equipment at Urquhart Unit #3, with its conversion

1 to run on gas and oil only, beginning in 2013. ORS reviewed the pro forma expenses
2 submitted by the Company. The retail allocation of this adjustment is (\$1,553,417).

3 Adjustment # 25 – Write-Off Recovery

4 ORS and the Company propose to increase O&M Expense in the amount \$534,652 for a
5 write-off recovery received during the test period. This write-off was the result of one of
6 the Company's customers filing bankruptcy in 2009. The Company was able to recover
7 the total outstanding balance in the test year, which they credited to O&M expense. The
8 proposed adjustment brings the test year expenses to a normal level. ORS verified
9 transactions related to the write-off in the Company's books and records. The total amount
10 is allocated to retail customers.

11 Adjustment # 26 – VCS Outage Accrual Mechanism

12 The Company proposes to increase O&M expenses by \$1,773,613 to increase the planned
13 refueling outage accrual for V. C. Summer Unit #1. ORS Audit witness Kelvin L. Major
14 and ORS Electric witness Michael R. Cartin provided testimony regarding the outage
15 accrual adjustment.

16 ORS Adjustment # 27 – Remove Non-allowable Expenses

17 ORS proposes to decrease O&M expenses for items considered non-allowable for
18 ratemaking purposes. Non-allowed expenses typically include: donations; lobbying
19 expenses; alcoholic beverages; items deemed lavish; service awards; advertising; certain
20 aircraft expenses; one-half of Chamber of Commerce dues; and other miscellaneous items.
21 ORS considers these items non-allowable as they are not necessary to provide electric
22 service. ORS proposes to remove non-allowable expenses of (\$1,412,256), or (\$1,350,000)
23 allocated to retail.

Adjustment # 28 – Tree Trimming Costs

The Company did not propose an adjustment to tree trimming expenses. ORS reviewed per book tree trimming expenses and verified actual expenses included in the test period of \$19,795,938. ORS proposes to set the amount of tree trimming expenses allowed in rates at \$19,000,000, which is based on the 2013 estimated budget. An adjustment of (\$795,938) was computed to lower tree trimming expense to the projected budgeted amount. The entire amount is allocated to Retail operations. The explanation of the current level for tree trimming expenses is discussed by ORS Electric Department Witness Leigh C. Ford.

Depreciation and Amortization Expense

Adjustment # 29 – Remove Depreciation Expense - Employee Clubs

The Company proposes to remove depreciation expense related to employee clubs owned and operated by SCE&G of (\$143,053). ORS Audit witness Joseph W. Coates provided testimony regarding the removal of depreciation expense related to these facilities.

Adjustment # 30 – Annualize Depreciation Expenses – Current Rates

The Company proposes to increase depreciation expenses, using the most current rates, by \$3,635,810. ORS Audit witness Joseph W. Coates provided testimony regarding annualizing depreciation expenses.

Adjustment # 31 - Wateree Scrubber – Deferral Amortization

The Company proposes to increase amortization expenses for the Wateree Scrubber by \$4,918,560 for previously-deferred costs. ORS Audit witness Kelvin L. Major and ORS Electric Department witness Leigh C. Ford provided testimony regarding the Wateree deferral amortization.

Adjustment # 32 - Wateree Scrubber – Current Expenses

The Company proposes to increase expenses for the Wateree Scrubber by \$12,045,600 for current depreciation. ORS Audit witness Kelvin L. Major and ORS Electric Department witness Leigh C. Ford provided testimony regarding the Wateree deferred depreciation expenses.

Adjustment # 33 – Canadys Unit # 1 - Depreciation

ORS and the Company propose to reduce annual depreciation expenses by a net (\$999,713) related to the Canadys Unit # 1 planned early retirement. This adjustment represents the depreciation given up at retirement of (\$2,607,306), offset by annual amortization of \$1,607,593 incurred going forward to amortize the net book value (“NBV”) at retirement of \$22,506,309, over the plant’s estimated remaining useful life of 14 years. Regulatory accounting rules require that the NBV be removed from utility plant in service and recorded as a regulatory asset, then amortized. ORS verified the depreciation and amortization components, the NBV, and the proposed accounting treatment for early plant retirements. The retail allocation of this adjustment is (\$957,876).

Adjustment # 34 – Urquhart Unit # 3 - Depreciation

ORS and the Company propose to reduce annual depreciation expenses by (\$441,842) related to the Urquhart Unit #3 planned, ordinary retirement. ORS verified the depreciation and NBV per the Company’s books and records, as well as the proposed accounting treatment for ordinary plant retirements. The retail allocation of this adjustment is (\$423,351).

Taxes Other Than Income

Adjustment # 35 – Annualize Payroll Taxes for Wages and Benefits

1 The Company proposes to increase payroll tax expense by \$722,374 based on the
2 annualization method discussed in Adjustment # 5 above. ORS recalculated and verified
3 the payroll tax adjustment to the Company's books and records. ORS proposes to allow
4 only those payroll tax increases associated with non-officer wages, for a total payroll tax
5 effect of \$667,494. The retail allocated portion is \$649,471.

6 Adjustment # 36 – Adjust Payroll Taxes for Incentive Pay

7 ORS and the Company propose to remove payroll tax associated with 50% or (\$395,279)
8 of accrued bonuses expensed in the test year. ORS verified the payroll tax on accrued
9 bonuses booked in the test year. The retail allocated portion is (\$384,587).

10 Adjustment # 37 – Remove Taxes for New Nuclear Generation

11 The Company proposes to remove (\$380,345) of other taxes associated with the
12 construction of the new V.C. Summer Units #2 and #3. ORS Audit witness Joseph W.
13 Coates provided testimony regarding other taxes on new nuclear generation.

14 Adjustment # 38 – Adjust Property Taxes

15 ORS and the Company propose an adjustment of \$1,213,348 to increase Company's
16 property tax expense. ORS Audit witness Kelvin L. Major provided testimony regarding
17 the property tax adjustment.

18 Adjustment # 39 – Cayce Business License Fees

19 ORS and the Company propose a decrease to other tax expense of (\$237,838) for fees
20 paid to the City of Cayce in 2011 that relates to prior periods. SCANA moved to its
21 Cayce headquarters in the fall of 2009. Beginning at that time, there was an ongoing
22 dispute between SCANA and the City of Cayce concerning the amount of business
23 license fees that SCANA owed to the City of Cayce. A settlement agreement was reached

1 in September 2011 for the occupancy years from 2009 through 2011. ORS examined the
2 Cayce Settlement Agreement and tested the transaction for accuracy without exception.
3 The retail allocated portion is (\$231,426).

4 Adjustment # 40 – Remove Tax Amounts Associated with DSM

5 ORS and the Company propose to remove other taxes totaling (\$25,681) for the Demand
6 Side Management programs. ORS verified the test year tax expense of (\$25,681) to the
7 Company's books and records. The total amount removed is allocated to retail customers.

8 Adjustment # 41 – \$25M Weather Refund Overage & EIZ Tax Credit

9 The Company proposes to remove other taxes of (\$9,074) associated with the weather
10 refund overage and the Economic Impact Zone ("EIZ") tax credit overage. ORS verified
11 the test year tax calculation. The total amount removed is allocated to retail customers.
12 ORS proposes that this adjustment be reflected in the Company's 2013 fuel case, as
13 outlined in Electric Department witness Leigh C. Ford's testimony.

14 Adjustment # 42 – Remove Taxes for Off-System Sales Contract

15 ORS and the Company propose to remove other taxes of (\$136,124) associated with the
16 expiration of the wholesale power sales contract for the Jasper Generation Station. The
17 retail allocation of this adjustment is (\$132,454).

18 Adjustment # 43 – Canadys Unit # 1 – Property Tax

19 ORS and the Company propose to reduce property tax expenses by (\$799,930) related to
20 the Canadys Unit #1 planned early retirement. ORS verified the adjustment amount to the
21 Company's books and records. The retail allocation of this adjustment is (\$777,412).

22 Income Taxes

23 Adjustment # 44 – Tax Effect of Annualized Interest

1 ORS and the Company propose to reflect the impact on state and federal income taxes of
2 annualized interest associated with the pro forma adjustments to rate base. Using the
3 change in rate base for pro forma adjustments, ORS computed the impact on state and
4 federal income taxes using the long-term debt ratio of 47.82% and cost of debt of 5.97%.

5 Adjustment # 45 – Income Taxes

6 This adjustment reflects the effects of the accounting and pro forma adjustments on the
7 Company's state and federal income taxes. ORS's computation is shown in Audit Exhibit
8 HNW-3.

9 Customer Growth

10 Adjustment # 46 – Compute Customer Growth

11 This adjustment reflects customer growth for Total Electric and Retail Electric operations.
12 The customer growth factor of .2603% for Retail Electric operations was provided by ORS
13 Electric Department witness Michael R. Cartin. Retail Electric customer growth was
14 computed using net income for return and the customer growth factor.

15 Plant in Service

16 Adjustment # 47 – Remove Depreciation Expense - Employee Clubs

17 The Company proposes to remove plant in service associated with employee clubs owned
18 and operated by SCE&G of (\$4,793,586). ORS Audit witness Joseph W. Coates provided
19 testimony regarding the removal of plant related to these facilities.

20 Adjustment # 48 – Recognize Property Retirements

21 The Company proposes to remove plant in service associated with plant retirements of
22 (\$324,824) through the end of the test year. ORS Audit witness Joseph W. Coates
23 provided testimony regarding the removal of plant retirements.

Adjustment # 49 – CWIP Closed to Plant in Service

The Company proposes to increase plant in service by \$2,694,279 through the end of the test year for plant additions moved from CWIP. ORS Audit witness Joseph W. Coates provided testimony regarding the CWIP additions to plant.

Adjustment # 50 – Canadys Unit # 1 – Reduce Plant

ORS and the Company propose to reduce plant in service by (\$50,653,438) related to the Canadys Unit #1 planned early retirement. ORS verified the adjustment amount to the Company's books and records. The retail allocation of this adjustment is (\$48,533,592).

Adjustment # 51 – Urquhart Unit # 3 – Reduce Plant

ORS and the Company propose to reduce plant in service by (\$6,945,473) related to the Urquhart Unit #3 planned, ordinary retirement. ORS verified the total to the Company's books and records. The retail allocation of this adjustment is (\$6,655,152).

Accumulated Depreciation

Adjustment # 52 – Remove Employee Clubs

The Company proposes to remove accumulated depreciation associated with employee clubs owned and operated by SCE&G of (\$1,629,626). ORS Audit witness Joseph W. Coates provided testimony regarding the removal of accumulated depreciation related to these facilities.

Adjustment # 53 – Recognize Property Retirements

The Company proposes to remove accumulated depreciation associated with plant retirements of (\$324,824) through the end of the test year. ORS Audit witness Joseph W. Coates provided testimony regarding the removal of accumulated depreciation related to plant retirements.

Adjustment # 54 – Annualize Depreciation Expenses – Current Rates

The Company proposes to increase accumulated depreciation, using the most current rates, by \$3,635,810. ORS Audit witness Joseph W. Coates provided testimony regarding accumulated depreciation.

Adjustment # 55 - Wateree Scrubber – Current Expenses

The Company proposes to increase accumulated depreciation for the Wateree Scrubber by \$12,045,600 for current depreciation expense. ORS Audit witness Kelvin L. Major and ORS Electric Department witness Leigh C. Ford provided testimony regarding accumulated depreciation.

Adjustment # 56 – Canadys Unit # 1 – Accumulated Depreciation

ORS and the Company propose to reduce accumulated depreciation by (\$28,147,129) related to the Canadys Unit #1 planned early retirement. ORS verified the accumulated depreciation as of the end of the test year to the Company books and records. The retail allocation of this adjustment is (\$26,971,705).

Adjustment # 57 – Urquhart Unit # 3 – Accumulated Depreciation

ORS and the Company propose to reduce accumulated depreciation by (\$6,945,473) related to the Urquhart Unit #3 planned, ordinary retirement. ORS verified the accumulated depreciation to the Company's books and records. The retail allocation of this adjustment is (\$6,655,152).

Construction Work in Progress (CWIP)

Adjustment # 58 – Remove CWIP for New Nuclear Generation

1 The Company proposes to remove CWIP associated with new nuclear generation of
2 (\$1,256,317,802) through the end of the test year. ORS Audit witness Joseph W. Coates
3 provided testimony regarding the removal of new nuclear CWIP.

4 Adjustment # 59 – CWIP Closed to Plant in Service

5 The Company proposes to decrease CWIP by (\$2,694,279) through the end of the test year
6 for projects completed and placed in service. ORS Audit witness Joseph W. Coates
7 provided testimony regarding the removal of CWIP.

8 Deferred Debits and Credits

9 Adjustment # 60 - Wateree Scrubber Deferral – Rate Base Adjustment

10 The Company proposes to increase rate base for the unamortized scrubber deferral balance
11 of \$12,148,844. ORS Audit witness Kelvin L. Major's testimony details this rate base
12 adjustment.

13 Adjustment # 61 - Deferred Pension Expense in Rate Base

14 ORS and the Company propose to increase rate base by the \$33,049,343 of pension
15 expense it had previously deferred pursuant to Commission Order No. 2009-81. The
16 Company's proposed treatment of deferred pension expense is discussed in more detail at
17 Adjustment # 15 above.

18 Adjustment # 62 – Canadys Unit # 1 – Rate Base

19 ORS and the Company propose to increase rate base by \$22,506,309 for the NBV of
20 Canadys Unit # 1. The retail allocation of this adjustment is \$21,565,471.

21 Working Capital

22 Adjustment # 63 – Working Capital Investment

1 ORS and the Company propose to adjust working capital for accounting and pro forma
2 adjustments to operating and maintenance expenses as set forth in Audit Exhibit HNW-5.
3 Additionally, ORS proposes to reduce working capital funds to be collected in advance of
4 refueling for VC Summer Unit # 1. ORS Audit Witness Kelvin L. Major further addresses
5 this adjustment in his direct testimony.

6 **Materials and Supplies**

7 **Adjustment # 64 – Adjust Coal Inventory**

8 ORS verified the Fossil Fuel Stock account balance of \$103,057,951 to the Company's
9 book and records. Details for this adjustment will be discussed in the testimony of ORS
10 Electric Department witness Michael R. Cartin.

11 **Accumulated Deferred Income Taxes**

12 **Adjustment # 65 – Canadys Unit # 1 Retirement – ADIT**

13 ORS and the Company propose to reduce accumulated deferred income taxes ("ADIT") by
14 (\$3,851,700) related to the Canadys Unit #1 planned early retirement. The depreciation
15 decrease is discussed at Adjustment # 33 above. ORS verified the reduction in ADIT to the
16 Company's books and records. The retail allocation of this adjustment is (\$3,690,699).

17 **Operating Revenues - Retail Operations**

18 **Adjustment # 66 – Proposed Increase**

19 This adjustment shows the effects of the proposed revenue increase for retail operations.

20 **Taxes Other Than Income**

21 **Adjustment # 67 – Taxes Other Than Income for Proposed Increase**

22 This adjustment shows the effects of the proposed increase upon gross receipts, and
23 ORS/Commission utility assessments.

Income Taxes for Proposed Increase

Adjustment # 68 – State and Federal Income Taxes for Proposed Increase

This adjustment shows the effects of the proposed increase on state and federal income taxes. See Audit Exhibit HNW-3.

Customer Growth

Adjustment # 69 – Adjust Customer Growth for the Proposed Increase

This adjustment accounts for the customer growth associated with the proposed increase using the customer growth factor of .2603% as provided by ORS Electric Department witness Michael R. Cartin.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

South Carolina Electric & Gas Company
Operating Experience, Rate Base and Rate of Return
Total and Retail Electric
For the Test Year Ended December 31, 2011
Docket No. 2012-218-E

Line No.	Description	TOTAL ELECTRIC			RETAIL ELECTRIC				(8)
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	
		Per Regulatory Books	ORS Accounting & Pro Forma Adjustments	After ORS Accounting & Pro Forma Adjustments	Retail Per Books	ORS Accounting & Pro Forma Adjustments	After ORS Accounting & Pro Forma Adjustments	Proposed Increase	
1	Operating Revenues	\$ 2,432,190	\$ (119,495) (A)	\$ 2,312,695	\$ 2,356,077	\$ (118,233) (A)	\$ 2,237,844	\$ 97,075 (O)	\$ 2,334,919
2	Operating Expenses:								
3	O&M Expenses - Fuel	932,607	(1,039) (B)	931,568	886,851	(989) (B)	885,862	0	885,862
4	O&M Expenses - Other	509,288	17,301 (C)	526,589	493,875	16,848 (C)	510,723	0	510,723
5	Depreciation & Amort. Expenses	252,861	15,160 (D)	268,021	245,411	14,598 (D)	260,009	0	260,009
6	Taxes Other Than Income	159,836	(91) (E)	159,745	155,093	(99) (E)	154,994	436 (P)	155,430
7	Total Income Taxes	130,595	(43,957) (F)	86,638	132,820	(43,684) (F)	89,136	36,964 (Q)	126,100
8	Total Operating Expenses	\$ 1,985,187	\$ (12,626) (G)	\$ 1,972,561	\$ 1,914,050	\$ (13,326) (H)	\$ 1,900,724	\$ 37,400	\$ 1,938,124
9	Operating Return	\$ 447,003	\$ (106,869) (I)	\$ 340,134	\$ 442,027	\$ (104,907) (J)	\$ 337,120	\$ 59,675	\$ 396,795
10	Customer Growth	586	299 (G)	885	586	292 (G)	878	155 (R)	1,033
11	Int. on Cust. Deposits (Net of Taxes)	(741)	0	(741)	(741)	0	(741)	0	(741)
12	Net Income for Return	\$ 446,848	\$ (106,570) (K)	\$ 340,278	\$ 441,872	\$ (104,615) (L)	\$ 337,257	\$ 59,830	\$ 397,087
13	Rate Base:								
14	Gross Plant in Service	\$ 8,676,500	\$ (60,023) (H)	\$ 8,616,477	\$ 8,432,584	\$ (57,562) (H)	\$ 8,375,022	0	\$ 8,375,022
15	Less: Reserve for Depreciation	3,273,727	(21,364) (I)	3,252,363	3,175,081	(20,429) (I)	3,154,652	0	3,154,652
16	Net Plant in Service	\$ 5,402,773	\$ (38,659) (J)	\$ 5,364,114	\$ 5,257,503	\$ (37,133) (J)	\$ 5,220,370	0	\$ 5,220,370
17	Construction Work in Progress	1,448,028	(1,259,012) (J)	189,016	1,389,282	(1,206,397) (J)	182,885	0	182,885
18	Deferred Debits/Credits	(104,030)	72,529 (K)	(31,501)	(101,756)	70,063 (K)	(31,693)	0	(31,693)
19	Total Working Capital	102,992	817 (L)	103,809	97,340	824 (L)	98,164	0	98,164
20	Materials & Supplies	373,974	(29,556) (M)	344,418	357,608	(28,102) (M)	329,506	0	329,506
21	Accumulated Deferred Income Taxes	(977,144)	(3,852) (N)	(980,996)	(953,017)	(3,691) (N)	(956,708)	0	(956,708)
22	Total Rate Base	\$ 6,246,593	\$ (1,257,733) (O)	\$ 4,988,860	\$ 6,046,960	\$ (1,204,436) (P)	\$ 4,842,524	0	\$ 4,842,524
23	Rate of Return	7.15%		6.82%	7.31%		6.96%		8.20%
24	Return on Common Equity				8.53%		7.88%		10.25%

(000's Omitted)

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2011
Docket No. 2012-218-E
(000's Omitted)

Adj.# Per App.	Adj.# Per ORS (A)	Description	SCE&G Total Electric	ORS Total Electric	ORS Retail Electric
		<u>Operating Revenues</u>			
6	1	Remove amounts associated with the new nuclear generation	\$ (83,832)	\$ (83,832)	\$ (83,832)
16	2	Remove DSM Amounts	(5,660)	(5,660)	(5,660)
25	3	Amortize \$25M Weather Refund Overage and EIZ Credit	(2,000)	0	0
26	4	Remove Off System Sales Contract	(30,003)	(30,003)	(28,741)
		<u>Total Operating Revenues</u>	<u>\$ (121,495)</u>	<u>\$ (119,495)</u>	<u>\$ (118,233)</u>
		<u>(B & C) Operating and Maintenance Expense - Fuel & Other</u>			
1	5	Annualize wages and benefits	\$ 10,181	\$ 9,408	\$ 9,145
2	6	Remove incentive pay	(6,078)	(6,078)	(5,907)
3	7	Adjust health care costs	2,128	2,128	2,073
4	8	Remove operating expenses related to employee clubs	(413)	(413)	(402)
9	9	Palmetto Center Settlement	(686)	(708)	(689)
11	10	Annualize insurance expense premiums	25	25	24
12	11	Environmental Remediation Recovery	240	240	240
13	12	Edison Electric Institute Membership	200	151	147
16	13	Remove DSM amounts	(253)	(253)	(253)
18	14	Wateree Scrubber - Current Expense	939	798	759
20	15	Pension Deferral - Amortization	4,866	1,988	1,936
21	16	Pension - Current Expense	12,525	11,444	11,147
23	17	Amortize Capacity Purchases over 3 years	1,230	1,230	1,178
24	18	Capacity Purchase O&M Adjustment	(851)	(851)	(815)
27	19	Storm Reserve	6,054	0	0
28	20	T&D Insurance Premium	3,058	0	0
29	21	Amortize Economic Development Grants	660	560	545
30	22	Amortize New Rate Case Expenses	233	55	55
31	23	Canadys Unit 1 Retirement	(1,931)	(1,931)	(1,849)
32	24	Urquhart Unit 3 Coal Equipment Retirement	(1,632)	(1,632)	(1,553)
33	25	Write-off Recovery	535	535	535
34	26	VCS Outage Accrual Mechanism	1,774	1,774	1,689
	27	Remove expenses considered non-allowable for ratemaking	0	(1,412)	(1,350)

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2011
Docket No. 2012-218-E
(000's Omitted)

Adj.# Per App.	Adj.# Per ORS	Description	SCE&G Total Electric	ORS Total Electric	ORS Retail Electric
	28	Adjust for tree trimming costs	0	(796)	(796)
		<u>Total Operating and Maintenance Expenses</u>	<u>\$ 32,804</u>	<u>\$ 16,262</u>	<u>\$ 15,859</u>
	(B)	<u>Total Operating and Maintenance Expense - Fuel</u>	<u>\$ (970)</u>	<u>\$ (1,039)</u>	<u>\$ (989)</u>
	(C)	<u>Total Operating and Maintenance Expense - Other</u>	<u>\$ 33,774</u>	<u>\$ 17,301</u>	<u>\$ 16,848</u>
	(D)	<u>Depreciation and Amortization Expense</u>			
4	29	Remove depreciation expense related to employee clubs	\$ (143)	\$ (143)	\$ (139)
8	30	Annualize depreciation based on current rates	3,636	3,636	3,557
17	31	Wateree Scrubber - Amortization	4,919	1,062	1,018
18	32	Wateree Scrubber - Current Expense	12,046	12,047	11,543
31	33	Canadys Unit 1 Retirement	(1,000)	(1,000)	(958)
32	34	Urquhart Unit 3 Coal Equipment Retirement	(442)	(442)	(423)
		<u>Total Depreciation and Amortization Expense</u>	<u>\$ 19,016</u>	<u>\$ 15,160</u>	<u>\$ 14,598</u>
	(E)	<u>Taxes Other Than Income</u>			
1	35	Annualize payroll taxes for wages and benefits	\$ 722	\$ 667	\$ 649
2	36	Adjust payroll taxes related to incentive pay	(395)	(395)	(385)
6	37	Remove other taxes associated with new nuclear generation	(380)	(376)	(376)
10	38	Adjust Property Taxes	1,213	1,213	1,179
14	39	Cayce Business License Fees	(238)	(238)	(231)
16	40	Remove DSM Amounts	(26)	(26)	(26)
25	41	Amortize \$25M Weather Refund Overage and EIZ Credit	(9)	0	0
26	42	Remove Off System Sales Contract	(136)	(136)	(132)
31	43	Canadys Unit 1 Retirement	(800)	(800)	(777)
		<u>Total Taxes Other Than Income</u>	<u>\$ (49)</u>	<u>\$ (91)</u>	<u>\$ (99)</u>
	(F)	<u>Income Taxes</u>			
15	44	Tax Effect of Annualized Interest	\$ 13,428	\$ 13,734	\$ 13,152
45		Adjust for the effect of pro forma adjustments on state and federal income taxes. See Audit Exhibit HN-3.	(66,273)	(57,691)	(56,836)
		<u>Total Income Tax Adjustments</u>	<u>\$ (52,845)</u>	<u>\$ (43,957)</u>	<u>\$ (43,684)</u>
	(G)	<u>Customer Growth</u>			
46		Adjust customer growth (.2603%) for total and retail electric operations related to the accounting and pro forma adjustments.	(135)	299	292

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2011
Docket No. 2012-218-E
(000's Omitted)

Adj.# Per App.	Adj.# Per ORS	Description	SCE&G Total Electric	ORS Total Electric	ORS Retail Electric
		<u>Total Customer Growth</u>	<u>\$ (135)</u>	<u>\$ 299</u>	<u>\$ 292</u>
	(H)	<u>Plant in Service</u>			
4	47	Remove employee clubs	\$ (4,794)	\$ (4,794)	\$ (4,659)
5	48	Recognize property retirements	(325)	(325)	(318)
7	49	CWIP	2,694	2,694	2,604
31	50	Canadys Unit 1 Retirement	(50,653)	(50,653)	(48,534)
32	51	Urquhart Unit 3 Coal Equipment Retirement	(6,945)	(6,945)	(6,655)
		<u>Total Plant in Service</u>	<u>\$ (60,023)</u>	<u>\$ (60,023)</u>	<u>\$ (57,562)</u>
	(I)	<u>Accumulated Depreciation</u>			
4	52	Remove employee clubs	\$ (1,630)	\$ (1,630)	\$ (1,584)
5	53	Recognize property retirements	(325)	(325)	(318)
8	54	Annualize depreciation based on current rates	3,636	3,636	3,557
18	55	Wateree Scrubber - Current Expense	12,046	12,047	11,543
31	56	Canadys Unit 1 Retirement	(28,147)	(28,147)	(26,972)
32	57	Urquhart Unit 3 Coal Equipment Retirement	(6,945)	(6,945)	(6,655)
		<u>Total Accumulated Depreciation</u>	<u>\$ (21,365)</u>	<u>\$ (21,364)</u>	<u>\$ (20,429)</u>
	(J)	<u>Construction Work in Progress (CWIP)</u>			
6	58	Remove CWIP associated with new nuclear generation	\$ (1,256,318)	\$ (1,256,318)	\$ (1,203,793)
7	59	CWIP	(2,694)	(2,694)	(2,604)
		<u>Total Construction Work in Progress (CWIP)</u>	<u>\$ (1,259,012)</u>	<u>\$ (1,259,012)</u>	<u>\$ (1,206,397)</u>
	(K)	<u>Deferred Debits/Credits</u>			
19	60	Wateree Scrubber - RB adjustment	\$ 12,149	\$ 14,426	\$ 13,823
22	61	Pension - RB adjustment	33,049	35,597	34,675
31	62	Canadys Unit 1 Retirement	22,506	22,506	21,565
		<u>Total Deferred Debits/Credits</u>	<u>\$ 67,704</u>	<u>\$ 72,529</u>	<u>\$ 70,063</u>
	(L)	<u>Working Capital</u>			
63		Adjust working capital for pro forma adjustments and nuclear refueling - See Audit Exhibit HN-5.	\$ 4,054	\$ 817	\$ 824

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2011
Docket No. 2012-218-E
(000's Omitted)

Adj.# Per App.	Adj.# Per ORS	Description	SCE&G Total Electric	ORS Total Electric	ORS Retail Electric
		<u>Total Working Capital</u>	<u>\$ 4,054</u>	<u>\$ 817</u>	<u>\$ 824</u>
	(M)	<u>Materials and Supplies</u>			
	64	Adjust Coal Inventory (RB)	<u>0</u>	<u>\$ (29,556)</u>	<u>\$ (28,102)</u>
		<u>Total Material and Supplies</u>	<u>0</u>	<u>\$ (29,556)</u>	<u>\$ (28,102)</u>
	(N)	<u>Accumulated Deferred Income Taxes</u>			
31	65	Canadys Unit 1 Retirement	<u>\$ (3,852)</u>	<u>\$ (3,852)</u>	<u>\$ (3,691)</u>
		<u>Total Accumulated Deferred Income Taxes</u>	<u>\$ (3,852)</u>	<u>\$ (3,852)</u>	<u>\$ (3,691)</u>

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2011
Docket No. 2012-218-E
(000's Omitted)

Adj.# Per App.	Adj.# Per ORS	Description	Proposed Increase
		(O) <u>Operating Revenues for Proposed Increase</u>	
66		To adjust revenues for the proposed increase	\$ 97,075
		<u>Total for Proposed Increase</u>	\$ 97,075
		(P) <u>Taxes Other Than Income</u>	
67		To adjust for most recent gross receipts tax for the proposed increase	\$ 436
		<u>Total Taxes Other Than Income</u>	\$ 436
		(Q) <u>Income Taxes for Proposed Increase</u>	
68		To adjust state (5%) and federal income (35%) taxes for the proposed increase. See Audit Exhibit HN-3	\$ 36,964
		<u>Total Income Taxes for Proposed Increase</u>	\$ 36,964
		(R) <u>Customer Growth</u>	
69		To adjust customer growth (.2603%) for adjustments to operating revenues and expenses related to the proposed increase	\$ 155
		<u>Total Customer Growth for Proposed Increase</u>	\$ 155

South Carolina Electric & Gas Company
Calculation of State and Federal Income Taxes
For the Test Year Ended December 31, 2011
Docket No. 2012-218-E
(000's Omitted)

FOR ACCOUNTING AND PRO FORMA ADJUSTMENTS

	ORS Total Accounting & Pro Forma Adjustments	ORS Retail Accounting & Pro Forma Adjustments
Operating Revenues	\$ (119,495)	\$ (118,233)
Less:		
O&M Expenses - Fuel	(1,039)	(989)
O&M Expenses - Other	17,301	16,848
Dep. & Amort. Expenses	15,160	14,598
Taxes Other Than Income	(91)	(99)
Net Accounting and Pro forma Adjustments	<u>\$ (150,826)</u>	<u>\$ (148,591)</u>
Less: State Taxes @ 5%	<u>(7,541)</u>	<u>(7,430)</u>
Federal Taxable Income	\$ (143,285)	\$ (141,161)
Federal Taxes @ 35%	<u>(50,150)</u>	<u>(49,406)</u>
Total State and Federal Income Tax Adjustment - ORS Adjustment #45	<u><u>\$ (57,691)</u></u>	<u><u>\$ (56,836)</u></u>

FOR PROPOSED INCREASE ADJUSTMENTS

Operating Revenues	\$ 97,075
Less:	
O&M Expenses - Fuel	0
O&M Expenses - Other	0
Dep. & Amort. Expenses	0
Taxes Other Than Income	436
Net Accounting and Pro forma Adjustments	<u>\$ 96,639</u>
State Taxes @ 5%	<u>4,832</u>
Federal Taxable Income	\$ 91,807
Federal Taxes @ 35%	<u>32,132</u>
Total State and Federal Income Tax Adjustments - ORS Adjustment #68	<u><u>\$ 36,964</u></u>

South Carolina Electric & Gas Company
Deferred Debits/Credits
Test Year Ended December 2011
Docket No. 2012-218-E
(000's Omitted)

	<u>Regulatory Per Books</u>	<u>ORS Accounting & Pro Forma Adjustments</u>	<u>After ORS Accounting & Pro Forma Adjustments</u>	<u>Allocated to Retail</u>
Other Post Employment Benefits	\$ (84,089)	0	\$ (84,089)	\$ (81,819)
Deferred Environmental Costs	(251)	0	(251)	(247)
Storm Damage Reserve	(19,690)	0	(19,690)	(19,690)
Waterway Scrubber Deferral	0	14,426	14,426	13,823
Plant Retirements	0	22,506	22,506	21,565
Pension Deferral	0	35,597	35,597	34,675
Total - ORS	<u>\$ (104,030)</u>	<u>\$ 72,529</u>	<u>\$ (31,501)</u>	<u>\$ (31,693)</u>
Total - SCE&G	<u>\$ (104,030)</u>	<u>\$ 67,704</u>	<u>\$ (36,326)</u>	<u>\$ (36,357)</u>

South Carolina Electric & Gas Company
Working Capital Investment
Test Year Ended December 31, 2011
Docket No. 2012-218-E
000's Omitted

	Total Electric			Retail Electric		
	Regulatory Per Books	ORS Accounting & Pro Forma Adjustments	After Accounting & Pro Forma Adjustments	Retail Per Books	ORS Accounting & Pro Forma Adjustments	After Accounting & Pro Forma Adjustments
Operating & Maintenance Expenses	\$ 1,441,895	\$ 16,262	\$ 1,458,157	\$ 1,380,726	\$ 15,859	\$ 1,396,585
Less: Purchased Power Expense **	203,770	379	204,149	194,331	363	194,694
Nuclear Fuel Expense	44,035	0	44,035	41,870	0	41,870
Net O&M Expenses	\$ 1,194,090	\$ 15,883	\$ 1,209,973	\$ 1,144,525	\$ 15,496	\$ 1,160,021
1/8 of O&M Expenses (Less Fuel):	0.125	0.125	0.125	0.125	0.125	0.125
Working Cash	\$ 149,261	\$ 1,985	\$ 151,247	\$ 143,066	\$ 1,937	\$ 145,003
Add: Prepayments	58,536	0	58,536	58,081	0	58,081
Total Investor Advanced Funds	\$ 207,797	\$ 1,985	\$ 209,782	\$ 201,147	\$ 1,937	\$ 203,084
Less: Customer Deposits	(35,734)	0	(35,734)	(35,734)	0	(35,734)
Average Tax Accruals	(58,664)	0	(58,664)	(58,093)	0	(58,093)
Nuclear Refueling Cycle	(6,793)	(1,168)	(7,961)	(6,466)	(1,113)	(7,579)
Injuries and Damages	(3,614)	0	(3,614)	(3,514)	0	(3,514)
Total Working Capital - ORS	<u>\$ 102,992</u>	<u>\$ 817</u>	<u>\$ 103,809</u>	<u>\$ 97,340</u>	<u>\$ 824</u>	<u>\$ 98,164</u>
Total Working Capital - Company	<u>\$ 102,992</u>	<u>\$ 4,054</u>	<u>\$ 107,046</u>	<u>\$ 97,340</u>	<u>\$ 3,970</u>	<u>\$ 101,310</u>

** Includes the removal of Genco Fuel since working capital is included on the Genco fuel invoices.

South Carolina Electric & Gas Company
 Weighted Cost of Capital
 Retail Electric Operations
 For the Test Year Ended December 31, 2011
 Docket No. 2012-218-E
 (000's Omitted)

Description	Capital Structure	Retail Per Books				After ORS Accounting and Pro Forma Adjustments				After Company's Proposed Increase			
		Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt *	\$ 3,415,425	47.82%	\$ 2,891,656	5.97%	2.85%	\$ 172,632	\$ 2,315,695	5.97%	2.85%	\$ 138,247	\$ 2,315,695	5.97%	2.85%
Common Equity **	3,726,172	52.18%	3,155,304	8.53%	4.44%	269,240	2,526,829	7.88%	4.11%	199,010	2,526,829	10.25%	5.35%
Totals	\$ 7,141,597	100.00%	\$ 6,046,960		7.29%	\$ 441,872	\$ 4,842,524		6.96%	\$ 337,257	\$ 4,842,524		8.20%

* Includes \$500 million in debt which occurred after the close of the test year

** Includes additional \$48.7 million in equity from Stock Plans and \$11.6 million lag in equity from Stock Plans